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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000954

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STATE FOR EAP/RSP/TC, STATE PASS AIT/W AND USTR, USTR FOR  
KI AND FREEMAN, COMMERCE FOR 4431/ITA/MAC/AP/OPB/TAIWAN  
MBMORGAN

E.O. 12958: DECL: 03/04/2015

TAGS: [ECON](#) [ETRD](#) [TW](#)

SUBJECT: UNEASY RIDER: GETTING HARLEY-DAVIDSON INTO TAIWAN

Classified By: AIT Director Douglas Paal, Reason 1.4 d

11. (SBU) Summary: A representative from Harley-Davidson met with AIT March 1 to discuss how best to overcome a Taiwan regulation requiring heat shields on motorcycle exhaust systems. Harley-Davidson believes complying with this regulation will negatively impact the look, sound and feel of their motorcycles and views this as the last remaining obstacle to their entry into the Taiwan market. Harley-Davidson has not raised this concern with the Taiwan government, has no presence in Taiwan, has not engaged with local industry, and is not listening to the advice of their lawyers in Taiwan. Instead, Harley would like AIT to make the case to the Taiwan government that Harley-Davidson should be exempted from these requirements. AIT officials expressed continued support for Harley-Davidson's efforts to enter the Taiwan market but suggested several approaches that are likely to prove more successful than Harley's current strategy. End Summary.

12. (SBU) Harley-Davidson's Vice President for Government Affairs, Tim Hoelter, stopped by the Commercial Section March 1 on his way to attend an international motorcycle enthusiasts meeting in east Taiwan. Although occasionally seen on the streets, Harley-Davidson currently has no authorized dealer in Taiwan due to a Ministry of Transportation and Communication (MOTC) regulation that requires all two-wheeled vehicles to use heat shields to cover the exhaust system. Hoelter's message to assembled AIT Commercial and Econ staff was that complying with the MOTC requirement would ruin the look, sound and feel of Harley-Davidson motorcycles, could have safety implications, and that Taiwan's requirement was a unique standard that existed nowhere else in the world. He asked AIT to make these points to appropriate officials in order to secure an exemption from the regulations for Harley-Davidson products. Hoelter said he himself had no plans to meet either with Harley's local legal counsel or government officials while in Taiwan.

13. (SBU) AIT staff expressed appreciation for Mr. Hoelter's visit and desire to help Harley-Davidson bring its products into the Taiwan market, as evidenced by our concerted efforts to help Harley-Davidson successfully overcome emissions and fuel economy requirements. Although the heat shield requirement is preventing Harley-Davidson from entering the market, other large displacement foreign motorcycle manufacturers are already in Taiwan and have found ways to comply with the letter of the law. The few rider associations in Taiwan are weak and have not been mobilized to pressure the government this issue. Without pressure from industry groups or constituents, and without a regular Harley-Davidson presence on the ground in Taiwan, government officials outside of MOTC have told AIT there is little incentive to make an exception to existing regulations solely for the benefit of Harley-Davidson.

14. (SBU) Hoelter clearly believed that Harley-Davidson had a strong case that was not being pursued vigorously enough by AIT and that a resolution of the issue was being held back only by a lack of USG involvement. However, Harley-Davidson has not been actively pursuing a resolution to the heat shield issue. Harley-Davidson's Taiwan representative, the law firm Lee and Li, has not approached MOTC to discuss an exemption from the heat shield requirements because they are concerned that doing so without a stronger case may perversely lead to more stringent regulations. Harley-Davidson technical staff, during their infrequent visits to Taiwan have also never approached the government to discuss this issue. Harley-Davidson is unaware of rider groups active in Taiwan and has not made efforts to discuss the heat shield requirement with other motorcycle dealers in Taiwan.

15. (SBU) AIT staff advised Hoelter that an effective resolution of this issue for Harley-Davidson would be best served by taking several steps, including the establishment of a dedicated presence in Taiwan, preferably through the naming of an authorized dealer willing to work for a resolution of this issue. AIT also suggested a concerted effort by Harley-Davidson to contact and enlist the support of local rider groups or other interested parties for changes

in the regulations, coordination with representatives of other large engine motorcycle manufacturers active in Taiwan, establishing direct contact with decision-makers in the Taiwan government, and the development of a strategy that acknowledges the Taiwan government's health and safety concerns while providing a reasonable means to allow Harley-Davidson to come into the market without having to make significant modifications to their motorcycles. AIT stands ready to facilitate and assist Harley-Davidson's efforts to implement a sound strategy to secure a resolution that will allow their products to enter the market.

16. (C) Comment: AIT has already helped Harley-Davidson overcome Taiwan regulations on emissions and fuel economy that could have potentially proven barriers to entry into the Taiwan market. Our commitment to seeing Harley-Davidson products in Taiwan remains strong. The Taiwan regulation requiring heat shields on all motorcycle exhaust systems is clearly aimed at the ubiquitous small scooters that dominate Taiwan's roads and sidewalks, not at the large motorcycles that are the province of weekend pleasure riders. Other large motorcycle dealers circumvent the intent of the law by installing temporary heat shields that are removed soon after inspection. Harley-Davidson understandably does not want to play that game.

17. (C) Comment continued: Hoelter said AIT had not fully supported Harley-Davidson's efforts to resolve the heat shield problem. In fact, Harley-Davidson's efforts to find a solution have been non-existent. Harley-Davidson has no presence in Taiwan and has made no efforts to discuss this issue with government officials, local interest groups, or the local industry. Hoelter told AIT he has been trying to get Harley products into Taiwan for ten years, but has made just three visits to the island. He was unaware if there is a local Harley enthusiast organization and had no plans to meet with either relevant Taiwan government officials or Harley's own local legal counsel while in Taiwan. AIT believes it is unlikely that Taiwan government officials will be sympathetic to a request by AIT on behalf of Harley-Davidson to change or exempt certain products from safety regulations on account of the negative impact on Harley-Davidson's look and feel. Instead, AIT would welcome and happily assist in the development and execution of a strategy that supports Harley-Davidson as they mobilize local interests and approach the government with a proposal that acknowledges the responsibility of the government to protect public safety and regional norms, while minimizing any modifications to Harley-Davidson's iconic design. End Comment.  
PAAL